

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-06

CEA-01 INT-05 SOE-02 DOE-11 /114 W

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FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 7832

INFO AMEMBASSY BRASILIA

AMEMBASSY BUENOS AIRES

AMEMBASSY LIMA

AMEMBASSY LA PAZ

AMEMBASSY CARACAS

UNCLAS SANTIAGO 0345

EO 11652: NA

TAGS:--

SUBJ: U.S. INVESTMENT IN CHILE

1. U.S. FIRM DIAMOND SHAMROCK CORP. HAS SUBMITTED A PROPOSAL TO BUY PETROQUIMICA CHILENA, ONE OF THE LAST COMPANIES HELD BY CORFO, THE STATE HOLDING COMPANY. DEPARTMENT IS AWARE OF EXTENT TO WHICH GOC IS DIVESTING ITSELF OF ALL BUT MOST STRATEGIC INDUSTRIES AND RETURNING THEM TO PRIVATE SECTOR.

2. REPORTEDLY, DIAMOND SHAMROCK HAS OFFERED TO PAY \$12.2 MILLION FOR 100 PERCENT OF THE COMMON STOCK OF TWO SERIES NOW HELD IN THE MAJORITY BY CORFO AND IN THE MINORITY BY ENAP (STATE PETROLEUM COMPANY). ULTIMATELY, DIAMOND SHAMROCK WAS THE ONLY BIDDER ALTHOUGH DOW CHEMICAL AND SEVERAL EUROPEAN FIRMS HAD EARLIER SHOWN AN INTEREST.

3. PETROQUIMICA CHILENA IS CHILES'S LARGEST PRODUCER OF CLORINE, AND CAUSTIC (SODIUM HYDROXIDE). THE FIRM'S ASSETS
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INCLUDE LAND, A CLORINE-CAUSTIC PLANT IN TALCAHUANO AND OFFICES IN SANTIAGO. DIAMOND SHAMROCK HAS DECLINED TO PURCHASE PETROQUIMICA'S POLYETHYLENE PLANT IN SAN ANTONIO.

4. AS THE PLANT IS NOT OF WORLD-SCALE IT IS BELIEVED THAT DIAMOND SHAMROCK'S OPERATIONS WILL AIM AT DOMESTIC SALES. MOST LIKELY, DIAMOND SHAMROCK VIEWS THIS PURCHASE AS A

FOOT-IN-THE-DOOR DEVICE, POSSIBLE LEADING TO LARGER SCALE
PETROCHEMICAL OPERATIONS IN THE FUTURE.

5. FINAL APPROVAL OF DIAMOND SHAMROCK'S PROPOSAL WILL NOT
BE MADE BY FOREIGN INVESTMENT COMMITTEE, AS IN PREVIOUS
CASES. THIS TIME THE DECISION WILL BE TAKEN BY CORFO ITSELF
AND WILL PROVIDE A TEST CASE FOR THE NEW ORGANIZATIONAL
STRUCTURE OF CORFO. RECENTLY, IN ORDER TO MAKE CORFO
IMMEDIATELY RESPONSIVE TO THE GOVERNMENT'S ECONOMIC POLICY,
ITS DIRECTORATE WAS SCALED DOWN AND RE-CONSTITUTED. THERE ARE
NOW ONLY FIVE BOARD MEMBERS, ALL HIGH LEVEL PLAYERS ON THE
GOC'S ECONOMIC TEAM, INCLUDING MINISTERS OF FINANCE AND ECONOMY
AND THE DIRECTOR OF THE NATIONAL PLANNING OFFICE. A DECISION
ON DIAMOND SHAMROCK'S PROPOSAL IS EXPECTED WITHIN SEVERAL
WEEKS.
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